DEMAND VI—TAXES ON INCOME.

MR. K. GEORGE (*Land Revenue and Income Tax Commissioner*): Sir, I move for a grant of Rs. 22,652 under Demand VI—Taxes on Income.

Motion No. 334

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*): Sir, I move:

That the total allotment of Rs. 22,652 under Demand VI be reduced by Re. 1.

The purpose of my motion is to suggest that including the income from land, all incomes above Rs. 500 must be brought under taxation and that the present system of land tax must be substituted by the above arrangement. The suggestion made by me touches the fundamentals of the principle of taxation in our State. I hope that the suggestion does not come to this House as a surprise, because it is the second time that I am myself moving this cut motion in the very same House. There is only one handicap under which I am to meet this House today. As it stands, my staunchest supporter must be the Income Tax Commissioner. But our Income Tax Commissioner is practically a very small man appended to the big Land Revenue Commissioner and therefore even though my main principle—

DEPUTY PRESIDENT: The Land Revenue Commissioner is not a small man at all.

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*): I said just the opposite. When compared to the Land Revenue Commissioner, the Income Tax Commissioner is a small man.

DEPUTY PRESIDENT: It is the same man. You speak of the officer?

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*): Yes, Sir. Though the small Income Tax Commissioner will stand with me, I am afraid that the greater Land Revenue Commissioner will oppose me in this motion. The motion is quite simple. It has two parts. One is to bring down the minimum taxable income from Rs. 2,000 to Rs. 500; and the other is to abolish the tax on land as it obtains today and to bring income from land also under income tax.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*): I rise to a point of order. The first part is out of order because it contemplates a new legislation. We are now met for financial business and we are now concerned with the administration of law as it is. The question of a new legislation does not arise when the House meets for financial business. With regard to the second point, it should come under Land Revenue and not Income Tax. Therefore that is also out of order.

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*): Should I explain, Sir?

DEPUTY PRESIDENT: Yes. I was myself thinking in that strain before the Law Member stood up.

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MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*) : I would invite the attention of the House and the Chair to page 646 of the Proceedings of the Travancore Sri Mulam Assembly, Vol. III No. 8.

Sir, there, the very same motion under the very same Demand was moved by the very same member in this House and the President had the kindness to allow me to proceed with the same.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) : Was any point of order raised then ?

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*) : Yes, the point was raised by Mr. Elenkath.

The debate on the point runs as follows :

"MR. K. R. ELENKATH (*Kalkulam* I) : I rise to a point of order. We are now dealing with the Income Tax Department and we have not anything to do with the Land Revenue question."

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry* I) : May I explain ?

DEPUTY PRESIDENT : I think that the member may be allowed to go on without any explanation."

That is why I particularly put the question to you whether I should explain.

DEPUTY PRESIDENT : There the point was not considered fully. You find the reasons are not given by the Chair. No doubt, the point was raised, but it was not argued in the manner in which the Law Member has done now.

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*) ; Objection was not taken by the Government member then, obviously because Government did not find any objection.

DEPUTY PRESIDENT : But Government might have become wiser subsequently.

MR. K. R. ELENKATH (*Kalkulam I*) ; May I know from the member whether it was the ruling given by the same President ?

DEPUTY PRESIDENT : That question must be withdrawn, for you are concerned only with the ruling of the Chair and not with the question who occupied the Chair.

MR. K. R. ELENKATH (*Kalkulam I*) : I wanted to know whether the ruling was given by the Deputy President ?

DEPUTY PRESIDENT : The member is out of order. We are concerned only with the ruling of the Chair and not with the question who occupied the Chair, whether it was the President, the Deputy President or one of the Panel of Chairmen. That question is absolutely irrelevant. I do not want Mr. Padmanabha Pillai to answer that question.

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*) : All that I want to submit is that, on that day when objection was raised by the member, the President was kind enough to ask me to proceed with the motion even without an expression of opinion ; it appeared then to the President to be so self-evident.

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DEPUTY PRESIDENT : All that the member can legitimately say is that at that time leave was given.

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanachery I*): I said then 'may I explain'; without any explanation, I was asked to proceed.

MR. A. S. DAMODARAN ASAN (*Mavelikara*) : With regard to the first point raised by the Law Member regarding the inclusion of income from land above Rs. 500 to be brought under taxation, my submission is that his objection is not tenable on any ground, because we are dealing with the administration of Income Tax and all the changes that we seek to make in the administration of income could legitimately come when that demand is moved. Probably, as a result of the motion, that is passed here, Government may have to enact a new legislation. To say that any suggestion here which will necessitate the enacting of a legislation should not be allowed is taking away the power of this House. So much with regard to the first point.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) : Is there not a precedent on this point ?

MR. A. S. DAMODARAN ASAN (*Mavelikara*) ; Yes, all in support of my position.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) ; Was not the motion suggesting repeal of Newspaper Regulation over-ruled during Budget debates ?

DEPUTY PRESIDENT : I wish to get the text of the ruling.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) : There is a ruling even in the House of Commons and in the Indian Legislative Assembly.

DEPUTY PRESIDENT : To me it appears rather difficult to give a ruling before considering all aspects. I wish the Law Member will get me the necessary authorities on the matter.

MR. A. S. DAMODARAN ASAN (*Mavelikara*) : The Law Member's objection is not tenable.

DEPUTY PRESIDENT : Your reasoning amounts to this, that everything that may be done only by legislative processes need not be excluded from this discussion.

What is the second ground ?

MR. A. S. DAMODARAN ASAN (*Mavelikara*): With regard to the second point, all that the mover says is that income tax may be substituted for land tax.

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*): That is only a consequential motion.

DEPUTY PRESIDENT : Is there any Rule or Standing Order relating to this ?

MR. A. S. DAMODARAN ASAN (*Mavelikara*) : No, Sir. There is no prohibition.

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DEPUTY PRESIDENT: There is neither prohibition nor permission.

Sufficient time has been devoted to the examination of this question with the aid of such books as I have been able to lay hands on. I have very carefully considered all the aspects of the question including the arguments on both sides. In Vol. III No. 8 of the Assembly Proceedings of the 3rd August 1934, at page 646, there occur these sentences:

> "MR. K. R. ELENKATH (*Kalkulam I*): I rise to a point of order. We are now dealing with the Income tax Department and we have not anything to do with the Land Revenue question."
>
> "MR. KAINIKKARA M. PADMANABHA PILLAI (*Chanjanachery I*): May I explain?
>
> DEPUTY PRESIDENT: I think that the member may be allowed to go on without any explanation."

Then I wish to read another sentence which occurs before that. "But if he happens", so Mr. Kainikkara Padmanabha Pillai then said, "if he happens to invest money in the land the very act of investment in him makes him, etc..... ....."

So that the point of view pressed by Mr. Kainikkara M. Padmanabha Pillai does not strengthen that case because the point raised then is different from the one raised now. It has been pointed out that there have been some decisions from the Chair in other Assemblies. I have been looking into some of these books, but I am not able to get any. As at present advised—

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*): Sir, I do not advise.

DEPUTY PRESIDENT: I said "as at present advised".

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*): I have got some rulings here.

DEPUTY PRESIDENT: "As at present advised" is an expression that I used just to express what I felt on the matter. As at present advised, there is no authority directly bearing on the point. The income tax law may have to be changed. The Legislature may have to be put in motion to change the law. But there are very few thing which we deal within the Assembly which will not require some legislation at some stage or other. Even in this House, there have been a number of questions which could be settled only by legislation. If Mr. Kainikkara Padmanabha Pillai brought in a proposal in the Budget discussion as a definate issue saying definitely and specifically that a certain section of the Income Tax Regulation should be changed, I should certainly have ruled him out. Now this is a request made to Government to consider the possibility of the measures and the usefulness of the measures which he now advocates. I think that Mr. Kainikkara M. Padmanabha Pillai is in order.

MR. K. R. ELENKATH (*Kalkulam I*): I would like to know from the Chair whether the time occupied by the speeches of the Chair would be deducted from the time allotted for the discussion of this motion?

DEPUTY PRESIDENT: I wish Mr. Elenkath, without making much ado about the matter, to express his regret for what he has stated.

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MR. K. R. ELENKATH (*Kalkulam I*): I am in right earnest, Sir.

DEPUTY PRESIDENT: No, I cannot permit that. It is a piece of behaviour which offends against the fundamental rules of discussion in the House. An important point was raised and the Chair did think, and the Chair thinks still that reasoning of an elaborate character must be set forth before a ruling was given. Mr. Elenkath, immediately after that ruling, gets up and makes a request for information, information which, as a member of this House who has sat in this House for several years, he should have had with him. This kind of wasting the time, I say this with all deliberation, with all seriousness, must be deprecated.

MR. K. KUNJUKRISHNA PILLAI (*Quilon I*): Sir, another point. The Chair has very many times asked members to withdraw and express regret and that is systematically not carried out. I am pointing this out because I feel it is an infringment of the dignity of the Chair if orders of the Chair are not carried out once they are pronounced.

DEPUTY PRESIDENT: I have been certainly seeing that the orders of the Chair are invariably carried out. Mr. Kunjukrishna Pillai has raised a point of very great importance. Taking action against members who do not behave exactly as they ought to behave is a matter of serious concern. The Chair is anxious to respect members in every way that it can. But all the same, in spite of repeated reminders, in spite of repeated rulings detailing the manner in which questions have to be put and points have to be raised and rulings have to be bowed to, I think there is considerable force in what Mr. Kunjukrishna Pillai stated before the House. I hope that members will respect themselves in respecting the Chair (*Hear, hear*). They have been respecting the Chair; otherwise I should have taken action against any member who infringed the rules.

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*): Sir, I was saying that the motion is composed of two parts and the two parts have to be taken together. If one part of the motion alone is put to the House, it will result either in a heavy burden on the tax payer or a severe loss to the Government. If the first part of the motion alone is acted upon, the result will be to impose an additional tax upon the landowner a tax in addition to the various kinds of taxes directly and indirectly levied today. If, on the other hand, the second part of the motion alone is acted upon, that will result in serious loss to the revenues of the Government. That is why I said that these two parts have to go hand in hand and that the motion has to be considered in its entirety.

This Assembly has completed now three years of its life and during these three years, I ask, has there been a single year.———

MR. S. CHATTANATHA KARAYALAR (*Shencotta*): Will the honourable member enlighten the House with regard to the financial implication of the scheme?

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MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*): I think members will have the patience to wait till the end of my speech.

This Assembly has completed three years of its life and I ask whether there has been a single year when the Government had not to make some concession in land tax to the people at large. We have now reached the fourth discussion of the Budget; and I again ask, has there been a single session when the non-officials in this House did not ask for severe cuts in the land tax of the country? Now is it possible to believe that the non-officials on this side do not realise the heavy burden that lies on the Government? Again, can it be supposed that the Government themselves, who have to work their machinery depending upon the various sources of the revenue, have forgotten their responsibility in reducing land tax and giving concessions to the people. Both these assumptions will be outrageous. The real fact therefore, Sir, is that there is something fundamentally wrong in the method of taxation as it stands today; we are finding it impossible to meet it in a proper manner; and therefore the people on the one hand and the Government on the other are every year forced to find some palliative to get out of the situation which we ourselves have created.

The taxation as it stands today is highly to the prejudice of the land owner. A person getting any income up to Rs. 2,000 goes without any taxation, unless the money that is invested is invested on land. He may be a money-lender by profession, he may be a merchant by profession, he may be an industrialist by profession; and yet if the person's income does not reach the limit of Rs. 2,000 he is not taxed. But if a person invests even a small portion of money on a very small portion of land just for putting up a hut for his family and himself to live, he has to pay tax. The question may be put and it was put sometimes, why not then the persons invest their money in some form other than in buying land? There are a hundred and one reasons. Land has to be got for a man to live. Possession of land has by generations come to attach a certain amount of respectability on the owners. Even the constitution of this Assembly as it stands today, places very great importance on the possession of lands. Thus in this country the possession of a certain amount of land has become an absolute necessity to lead the life of a citizen. And when after creating that situation by circumstances or by custom to tell a man that he will be taxed if he has any love for land, but he will be free of any taxation even if his income goes above Rs. 2,000 if he pursues other walks of life, is to say the least very iniquitous towards that person who possesses land. The inequity in the matter is more apparent if we remember that a person who possesses land has to pay tax not only on the land but he has to pay additional tax if he improves it. If the produces have to be sold, he has to pay another tax. An export duty has to be paid again. These various forms of taxation, direct and indirect, have to be met by a person who possesses lands, but from that; all other kinds of occupations in the State are free.

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Sir, a third point which has to be remembered is, while taxation on income depends upon the actual income that a person gets, the land tax is a sort of fixed item. If you look at the fundamental principle of land taxation, you will find that tax was levied based upon the income from land. But when once the assessment is made, the tax imposed on land continues for many years irrespective of the fact whether the income from land has increased or decreased. Crops may fail, weather conditions may be inclement and the gardens might have been devastated, but tax never alters. Taking, for example, the cocoanut gardens, we know that, in Central Travancore and Northern Travancore and some portions of South Travancore, cocoanut gardens, which were assessed when the trees were fully yielding, have become a prey to the devastating diseases. The trees have disappeared; yet the tax collector goes forward unaffected by all these vicissitudes.

The only objection that can be raised against my proposal is that which was expressed in one very precise sentence by the Income Tax Commissioner. He said that, in a mainly agricultural country like India, to get some substantial income which is not of a fluctuating character, the safest thing for Government to do is to impose tax on land. He has put the whole thing in a nutshell, but this contains two items to be considered, namely, first an agricultural land and secondly a non-fluctuating income. The definition of Travancore as an agricultural land is certainly true; but if by agricultural land we mean a land where the people live from agriculture, I think it is time to revise our judgment of Travancore because here people have already begun to starve by agriculture. Again, Sir, the other fact—

DEPUTY PRESIDENT: The member has exceeded his time.

MR. KAINIKARA M. PADMANABHA PILLAI (*Changanacherry I*): I want only one or two minutes. The next point is in regard to the non-fluctuating nature of the income. If you refer to our Government budget for the last several years, you will find not a single year where the income from land revenue has not fluctuated. The objection that we feel is really based on our habitual conservatism. Last time the Income Tax Commissioner said that land tax has got a history of centuries behind it. This feeling is the real objection to my suggestion. I can answer it by almost repeating the sentence. If one person can say that an institution has to be respected because it is centuries old, it is equally open to another to say that the institution has to be abolished for the very reason that it is centuries old. As Mr. Chidambaram Pillai pointed out circumstances have changed from there at the time of Todarmal. Land revenue has already become only the third in importance in the revenues of the State. This year's budget says that land revenue forms only 15·5 per cent. of the total revenue of Government. From a time when the Government depended solely or mostly on land revenue, we have reached a time when 85 per cent of the total revenue comes from other sources. Therefore I submit it is not too early for us to reconsider the whole question of land tax and form a new scheme. With these words, I move the motion for the acceptance of the House.

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MR. R. SIVARAMAN NAIR (*Tiruvalla II*): The motion before the House may at first sight seem very revolutionary because the form of taxation is sought to be totally charged. But I may say, though it may at first sight seem revolutionary, it is not so because under Section 7 of the Income Tax Regulation the principle of this motion has already been accepted. Under Section 7, taxes on income under head property is based on the *bona fide* rent of the property. This motion wants only to extend the principle contained in that provision, so that it may extend to other cases also. So the objection which was raised last year by the Land Revenue Commissioner that the proposal is very revolutionary will not stand.

MR. K. GEORGE (*Land Revenue and Income Tax Commissioner*): Was it accepted ?

MR. R. SIVARAMAN NAIR (*Tiruvalla II*): No.

Sir, the taxation in this country has been increasing year after year. The incidence of taxation per head in 1109 was Chs. 19 cash 12 and in 1111 it wasChs. 21—9 cash. Thus in the case of land tax it is increasing year after year. But in the case of income tax an income which is less than Rs. 2,000 is excluded from assessment. That is if a man gets an income of Rs. 1,999, he is not taxed, but if he gets Rs. 2,000, he is taxed. On the other hand in the case of an ordinary man who pursues agricultural work, that man has to pay the tax irrespective of the fact whether his income is small or great. Whether he gets Rs. 9 or Rs. 99 he has to pay tax. In my opinion, it is unfair.

I say it is in my opinion quite unfair. Sir, one of the first incidents of taxation is that the taxation should fall alike on all. Those people who get an income below Rs. 2,000 and who are not bound to pay any income tax under the Regulation are also getting all the benefits of the Government which is being supported by the taxation from ordinary ryots. To me, it appears, Sir, that there is no justification whatever, for not assessing to income tax those people also who get less than Rs. 2,000. With these words, I support the motion.

MR. EDAVANATT S. PADMANABHA MENOH (*Shertalla I*): I support the motion. Sir, the principle of the incidence and the shifting of taxation constitute a gteat problem which demands a very close study. Sir, in all advanced countries, land tax, especially on agricultural lands, is considered as a tax that it not shifting, which rests directly on the agriculturists or the owner of the land. Taxes can be classified into two divisions, taxes primarily for financial considerations as a fiscal source of revenue to the State and tax as a social source. The two operate differently in society at large. As an example, the tax on manufactured goods shifts, so that ultimately the consumer has to pay the tax. The merchant or the tradesman who deals with the manufactured goods is not concerned with it, because it forms part of the price of the article. In America, England and other advanced countries, this principle has been accepted and they are now legislating just to place agricultural land in rural parts in a separate category and the urban in another category, because the ground value in urban centres is greater than the

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value of a corresponding extent of land in rural centres. The Royal Agricultural Commission in England which went into the whole question, differentiated the two and lessened the burden on rural landholders. Sir, I confess there is not much scope in this small State to raise a big amount by way of indirect taxation, as we are not a manufacturing country. Still it is high time that a new move is made to relieve to a certain extent the agriculturists from their heavy burden, and expand the or bit and the scope of the income tax assessment. So, my submission to this House is that early steps might be taken by the Government for considering the whole assessment question.

MR. K. R. ELENKATH (*Kalkulam I*): Sir, I rise to offer a few remarks in support of the motion. The realisation of land tax from nominal cultivators appears to be a gross inequity, for the people who are able easily to earn an income much higher than that earned by people who possess fifty cents or one acre of land, are escaping assessment from Government. I ask why these poor ryots for the mere reason that they have been ill-advised to invest their money on land should be penalised. Sir, if the motion is accepted, I think that the Government will be placed at an advantage as regards the income to be derived, because practically every person who is able to earn a rupee and a half a day will come within the operation of the Income Tax Regulation.

MR. K. GEORGE (*Land Revenue and Income Tax Commissioner*): Is it the gross income or the net income?

MR. K. R. ELENKATH (*Kalkulam I*): Net income. For example, if an officer who gets say Rs. 100 is proved to save a considerable amount, he will be brought within the scope of the Regulation. That is, the Regulation should be so amended as to make such people liable to be assessed. There must be equity in everything. The Land Revenue Commissioner will concede that the incidence of land revenue taxation is based on the income that is derived by the landowner, the cultivation expenses and other things. Sir, I am supported by the valuable view expressed to-day by the Deputy President on the system of taxation. Tax is not legitimately due, according to his theory, because the State is not the real owner of all the land.

DEPUTY PRESIDENT: In fairness I have to say this. As far as possible, develop your own idea. When the occupant of the Chair expresses an opinion before putting a motion to the vote of the House, he does it under circumstances when others are not able to discuss it or find out the flaws or add to its value and so forth. So, as far as possible, leave the President's observations alone.

MR. K. R. ELENKATH (*Kalkulam I*): My main ground for supporting this motion is that there should be not be any inequity in the matter of taxation. It is very hard to think of a land-owner owning half an acre of land having to pay Rs. 10 or Rs. 20 in a year while others, say, a merchant or an officer or a vakil or a medical practitioner, who can very easily meet their expenses and put by a good saving, are excluded

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from the operation of the Income Tax Regulation now. If an assessment on a net income of over Rs. 500 is made, I should think that the rate of assessment may even be made higher so that the effect of it may be less felt by those who pay more. As Miss Gnanasikamony observed the other day, if a man who gets Rs. 200 or Rs. 300 a month is made to forego Rs. 50 by way of cut, he will have to forego the chance of purchasing of one *saree*, whereas, in the case of a man having very low income, a tax of four annas may mean loss of one day's meal. That aspect of the question has to be viewed and I do not think that the motion is even revolutionary because of the progress we have to make in another direction.

MR. S. J. NAIR (*Nedumangad*): Sir, it was in very early history that the system of land tax had its origin. There was a time when the people of the State had to make contributions to their Chief or Ruler or King and his army and followers for their maintenance.

DEPUTY PRESIDENT: May I point out that, as the expression goes, early history may mean history twenty five thousand and thirty thousand years ago?

MR. S. J. NAIR (*Nedumangad*): Sir, I meant the history of two thousand or three thousand years ago. Sir, in those days, there was no source of revenue for the Ruler to fall upon excepting the levy of land tax; and hence levy of land tax in the world came into existence.

Sir, there was a system of taxation about two hundred years ago in Russia. There was tax levied for the beard. It was known as a Beard Tax. For centuries together, that taxation continued in Russia. It was during the time of one Empress—I do not remember her name; when that was abolished. Sir, if we attempt to abolish the levy of land tax, well, a time will come when the future generations would think of this land tax as a tax just like the tax that was in vogue on beards in Russia. The system of land tax is an antiquarian system and it is high time that it is abolished. I was just drawing the attention of the honourable members of this House to the compulsory taxation that prevailed in Russia about two hundred years ago. Sir, in modern times, we have got various sources of taxation and various sources of income for the State. There is the income from the trade. There is the income from the Registration Department. There is the income from the Judicial Department and there is also the income from various other sources as a result of which the State can have a good revenue for carrying on the administration of the State and for looking after the comforts and conveniences of the subjects of this State.

Further, if you take into consideration the total income of the State, you will find that 99 per cent. of the income of the State is being contributed by the agriculturists. They contribute the income to the State in the shape of fees for registering documents,

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court fees, export duty and import duty, market dues, license fees and other fees for buses. In various ways and divergent shapes, the agriculturists are contributing towards the income of the State.

DEPUTY PRESIDENT: You like to include all these items in land tax?

MR. S. J. NAIR (*Nedumangad*): No, Sir. I am saying that the agriculturist is compelled to pay practically 99·9 per cent. of the total income of the State and not other men.

MR. K. PADMANABHAN (*Chirayinkil I*): May I know whether it is the member's view that, if land tax is abolished, there should be no substitute at all?

MR. S. J. NAIR (*Nedumangad*): Sir, it will be clear from the motion itself. What I submit is this, Sir, that to-day, as a result of the fall in the value of the land and the income from the land the agriculturist is not in a position to pay tax to Government. Such being the case, if the property tax is abolished and income tax is levied on the income of every citizen, I am sure it will be conducive to the interests of the State and the people of the State. It would lighten the burdon of the agriculturist: it would increase the revenue of the State; and it would ultimately benefit the State and the people.

MR. K. KUNJUKRISHNA PILLAI (*Quilon I*): Sir, I consider this motion of my friend Mr. Kainikkara M. Padmanabha Pillai as an invitation to Government to ponder over the question of taxation.

Sir, I am not in a position at present to say definitely that the taxation as proposed by my friend will be the best suited method of taxation in Travancore. But I am at one with him in the view that it is high time that the fiscal policy of the State is reconsidered, with a view to the equitable distribution of the incidence of taxation. Sir, I find that, in Travancore, the land that is taxed, excluding the reserved forests, roads and the lands owned by Jenmies, will come to about one third of the total area of land. And it is the people who cultivate or own this portion of the land that have to pay the land tax. When we consider the position along with the question of the indirect taxes that we have to pay, it will be found how heavy is the incidence of taxation over the citizen in Travancore. Sir, the question of the applicability of the land tax should not be considered good or bad on the ground whether the proposal now made by my friend is revolutionary or not. I hope no sensible man, much less the Government, will be frightened by the word revolution. Sir if we understand the exact meaning of the word 'revolutionary', it does not cannote anything bad. I adverted to that because many members were at pains to justify that this is not a revolutionary change. I may even concede that it is a revolutionary change; but why not Government accept it if this revolutionary change is going to better the Government as tax collector and the people as tax payers? Mr. Kainikkara Padmanabha Pillai's motion does not want the Government to be deprived of any portion of its revenue. His motion is to the effect that the Government should

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devise a more equitable method of collecting revenue. That is a matter that has to be considered. I concede that off-hand Government will not be in a position to give an answer 'yes' or 'no' to this question. But I think the Government will concede that they will look into the question, investigate it properly, and come to some decision with regard to the question of taxation. With these words, I support the motion in the sense that the Government will recognise the position that it is high time that the question of taxation will have to be reconsidered.

MR. K. GEORGE (*Land Revenue and Income Tax Commissioner*): Sir, the mover of the motion informed the House that this very same question was discussed on the floor of the House at the time of the last year's budget. The proposition put in plain language is this. Abolish all land-tax, and, in its place, devise a scheme of taxation on incomes and bring under it the incomes including the agricultural income which now is exempted from income tax. As Mr. Kunjukrishna Pillai said, though it is a revolutionary proposal, everything revolutionary is not bad. Quite so. I do not think there is anything intrinsically bad in a revolutionary change. Instead of 'revolutionary' he may say that the proposal is one calculated to revolutionise the entire taxation system. Our present system is what is obtaining in the Indian Empire. My friends had to go to England, America and Russia to prove their case on the ground that there is no land-tax in these countries.

Now, why is it that in India this taxation is maintained ?

MR. S. J. NAIR (*Nedu nangad*): May I ask whether the Honourable member is aware that there is no land tax for land where cocoanuts are cultivated in Ceylon ?

MR. K. GEORGE (*Land Revenue and Income Tax Commissioner*): I do not know. I have heard it said— I am not sure if it is a fact— that there used to be poll-tax in Ceylon.

As I said, my friends had to travel as far as Russia and America and various other parts of the world to prove that land tax is a remnant of an iniquitous system.

Sir, the fact raised is a very important question. Government recognise that. But to my mind, at the present moment, it is more academic than practical. In a matter like this, which deals with controversial questions of taxation, it is very difficult to express an opinion off-hand. And we in this matter would be doing wisely if we follow the lead of our neighbours, I mean the British Indian Government who have very able experts to consider this question.

Now, there is one mistaken motion underlying this motion. It has been said, in the first place that it does not substantially affect the Government revenue. That is wrong. It will very vitally affect the revenues of the State. After all what is the tax that you will get by reducing the present taxable limit for income-tax from Rs. 2,000 to

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Rs. 500. Some time ago I made a calculation as to what Government will get if the assessable income was reduced from Rs. 2,000 to Rs. 1,000. If I remember right, the additional tax that we would get out of that would be less than a lakh of rupees.

MR. A. THANU PILLAI (*Trivandrum-Rural*): Will it include agricultural income also?

MR. K. GEORGE (*Land Revenue and Income Tax Commissioner*): No. As I said on a previous occasion, what is the number of people who get an agricultural income of Rs. 500 a year? There are not many such people in the State.

MR. S. J. NAIR (*Nedumangad*): Suppose the amount is Rs. 250?

MR. K. GEORGE (*Land Revenue and Income Tax Commissioner*): That will not make much difference. There is also another important consideration. If agriculturists are assessed to income tax, they will be subjected to much vexatious enquiries every year. Now they know definitely where they have to pay; and that amount will not be altered until the next settlement; income tax has, however, to be assessed from year to year, and in doing so, the annual yield, the cultivation expenses, etc. will have to be ascertained by the Income tax officer. How is this to be done? Very few ryots keep proper accounts. So there is every chance of the ryots being harrassed by the income-tax authority. An advantage of the land revenue system is that the tax is fixed for thirty years, so that the ryot knows what he should pay. On the other hand, income tax would be vexatious and harrassing to him year after year. This is a very important point. I belive that, in the various parts of India, there is a move for permanent settlement of land revenue, so that there may not be any change in the assessment at all.

This is a scheme of bringing under taxation all agricultural income and it is brought forward on purely theoretical grounds. I have not studied carefully the pros and cons of the question. But at present I am of opinion that the change will not be advantageous to the ryots and would seriousely affect Government revenue.

Sir, as I said last year, we shall be well advised if we follow the lead of British India and other Indian States in this matter.

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanacherry I*): Sir, neither when moving the motion nor when the discussion was going on did I believe that the question was devoid of difficulties. But we have come to a position where we have to face very many difficulties. This has been going on for so many years that, unless Government offers something which is a real remedy for those evils, we have to come forward with our own quack medicines. As Mr. Karayalar indicated by a question to me, and as the Income Tax Commissioner suggested in his speech, I know that the financial implications are very serious. That is why I brought forward this as a suggestion. My request to Government is to suspend judgment, to consider this question deeply, and to find out a method by which Government and the people can get out of this situation. We are now stranded. We come to you and

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beg for cuts in tax. You are giving concessions. Neither of us like it. We want some fundamental remedy for escaping from this evil, some means by which we can adjust our taxation according to the fluctuations in the income of the people. My only purpose in bringing this motion, as I did two years ago, is to bring again to the notice of Government that, in the case of taxation, it is high time for the Government to reconsider the whole situation including the taxation of land revenue. Land tax gives only fifteen per cent. of the whole income of Government. It is not at all too early for the Government to give up the orthodox reverence for it. I hope my motion will be understood in this light and I hope the Government will come forward with something to help us. With these words, I beg leave to withdraw the motion.

The motion was by leave withdrawn.

The House adjourned at 5 P. M., to meet at 11 A. M. on Tuesday the 4th August 1936.

K. MADHAVA KURUP,
Secretary to the Sri Mulam Assembly.

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